

July 25, 2003

TO: Chief School Administrators
School Business Administrators

FROM: Katherine P. Attwood
Director, Office of Fiscal Policy and Planning

RE: 2002-03 Extraordinary Aid Designated for Tax Relief

As indicated in the July 14, 2003 memo from Yut'se Thomas, Director of the Office of School Funding, the 2003-04 State Budget adopted on June 30, 2003 includes additional property tax relief funding in the form of an increase in Special Education Extraordinary Aid. Each district was notified of this additional amount on the "2002-03 Extraordinary Aid – Revised" state aid printout, Line (F).

The State Budget indicates districts must use this increase in Special Education Extraordinary Aid "to achieve property tax relief in the 2003 or 2004 local tax year." Therefore, the legislature has specifically directed districts to use the additional amount on line (F) to either reduce the district's 2003-04 certified tax levy (the 2003 local tax year) or to use it to reduce the district's 2004-05 certified tax levy (the 2004 local tax year). The option to reduce levy in either tax years was provided to enable districts greater flexibility knowing many county tax offices have already printed and mailed 2003-04 tax bills. With either option, districts should record the additional aid on Line (F) as revenue in 2003-04.

Using for 2003-04 Property Tax Relief

For those districts that still have the option to revise their A4F and recertify their 2003-04 tax levy (check with your county tax office), the 2003-04 budget should be revised to record the additional aid amount on Line (F) as revenue in 2003-04 on line 360 (Other State Aids) with the corresponding reduction in tax levy on line 150. The A4F should be adjusted accordingly and recertified with the county tax office. The revised budget should reflect no other changes from the district's 2003-04 original budget certified for taxes. Districts must also retransmit the revised budget reflecting the additional aid and lower tax levy.

Using for 2004-05 Property Tax Relief

Districts that choose to use the amount on Line (F) for 2004-05 tax relief should record the aid as revenue in 2003-04, but districts do not have the authority to revise their 2003-04

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budget and increase spending with the additional funding. When preparing your 2004-05 budgets, districts should include the amount received on line 1640 (Additional Balances Anticipated in FY 03-04) in the Recapitulation of Balances ("Recap") and budget this amount as general fund budgeted fund balance in their 2004-05 budget. At June 30, 2004, the funds created by the additional revenue will lapse to surplus and the amount will be reserved and designated for tax relief in the end of year financial statements.

Districts must submit to the county office a copy of a resolution adopted by the board acknowledging receipt of the additional aid amount and indicating the action taken.

Districts at the minimum tax levy in 2003-04 have no option but to record the additional aid as revenue in 2003-04, let it lapse to surplus and designate it for tax relief in 2004-05.

The department has no discretion in implementing the legislature's intent as written in the State Budget for use of the additional Extraordinary Special Education Aid. We are aware of some suggestions on other ways the additional revenue could possibly be used to reduce property taxes in 2004-05 and these ideas are under review; all options determined to be available will be outlined in the 2004-05 Budget Guidelines.

This memo does not pertain to the original award identified on line (E) of the district's Revised 2002-03 state aid printout. The original award follows the guidelines as issued in April of 2003 where districts have the option to record this as revenue in 2002-03 or 2003-04 on line 360 (Other State Aids) and increase spending or let the revenue lapse to surplus without restriction.

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c: Dwight Pfennig
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